

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1518 - SB 1662

March 6, 2016

SUMMARY OF BILL: Exempts from state and local sales tax the retail sale of gold and silver bullion when used as a medium of exchange, security, or commodity.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact – \$2,023,000

Decrease Local Revenue – Net Impact – \$825,500

Assumptions:

- Using data provided by United States Mint 2014 Annual Report, it is estimated that 2014 sales of gold and silver bullion in Tennessee were approximately \$62,959,000.
- Fifty percent of such sales are sales for which no state or local sales tax is collected or remitted due to nexus-related issues. Therefore, 2014 Tennessee taxable sales are estimated to be \$31,479,500 ($\$62,959,000 \times 50.0\%$). This number is assumed to remain constant in perpetuity.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- The effective date of this bill is assumed to be July 1, 2016.
- The net recurring decrease in state sales tax revenue is estimated to be \$2,123,862 $[(\$31,479,500 \times 7.0\%) - (\$31,479,500 \times 7.0\% \times 3.617\%)]$.
- The total recurring decrease in local sales tax revenue is estimated to be \$866,691 $[(\$31,479,500 \times 2.5\%) + (\$31,479,500 \times 7.0\% \times 3.617\%)]$.
- Fifty percent of tax savings will be spent in the economy on other sales-taxable goods and services.
- Recurring tax savings are estimated to be \$2,990,553 ($\$2,123,862 + \$866,691$).
- The net recurring increase in state sales tax revenue is estimated to be \$100,883 $[(\$2,990,553 \times 50.0\% \times 7.0\%) - (\$2,990,553 \times 50.0\% \times 7.0\% \times 3.617\%)]$.
- The total recurring decrease in local sales tax revenue is estimated to be \$41,168 $[(\$2,990,553 \times 50.0\% \times 2.5\%) + (\$2,990,553 \times 50.0\% \times 7.0\% \times 3.617\%)]$.
- The net recurring decrease in state revenue as a result of this bill is estimated to be \$2,022,979 ($\$2,123,862 - \$100,883$).

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- The net recurring decrease in local government revenue as a result of this bill is estimated to be \$825,523 (\$866,691 - \$41,168).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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